Preliminary conditions for a long trade: Checklist

- ☑ The strength of the rally was confirmed by (i) new higher highs for the last 60 days, (ii) RSI overshooting the upper threshold at 68 level and (iii) MA50 that changed the slope up
- ☑ Price declined into support of the Green Demand channel and RSI held over support level at 40 and confirmed that the move down was corrective rather tand a strong trending move that would overshot the lower threshold at 32
- ☑ Bears were unable to push price under the Green Demand channel
- ☑ We should prefer to buy pullbacks **that are comprised of three moves a down, bup and c down** and/or shaped as a **wedge, flag or pennant**

The strength of the rally was confirmed by:

Corrective Patterns

- Short-term countertrend move that is composed of several swings bouncing in between two **contracting** trendlines. **Both trendlines, the upper one and the lower one are sloped downward**.
- The longer price stays inside the flag the more discouraged traders get. Trading activity starts to dry out.
- Bullish Wedge is a continuation pattern. That means that after its completion price resumes move in the same direction before that temporary interruption

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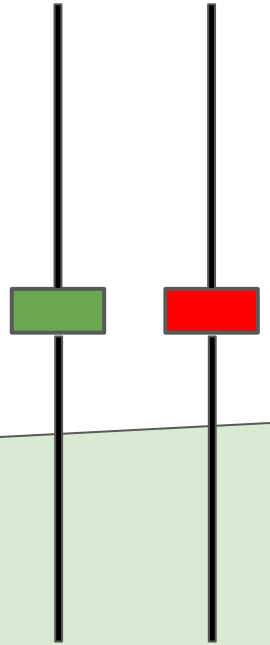
When to go long

ENTRY#1

When all conditions of the Checklist are met we can take ½ position at the doji candle making a new low in the Green Demand zone

Volatile directionless day

“Doji” candle

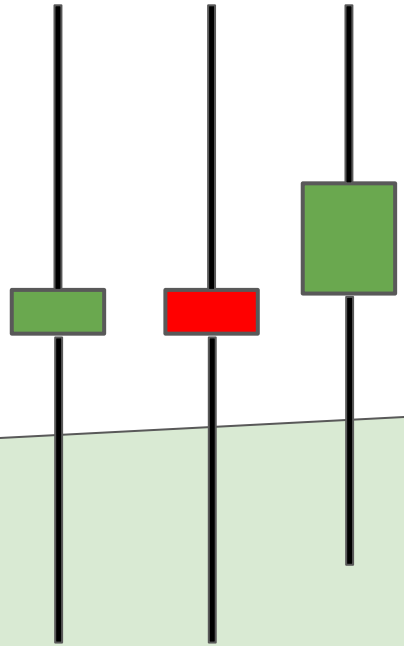


When we get a doji candle at the end of a prolonged corrective move down that is an early ***warning of an upcoming reversal****.*
However, one doji candle is just a sign that bears are not longer confident about their ability to push price lower.
The ***long lower tail*** *of a candle is a sign that Short sellers start covering their positions and increase demand for the stock.*
*The l****ong upper tail*** *of that candle is a sign showing that bulls find new low price attractive and start opening new positions making it difficult for bears to continue pushing lower.*

Support of the Green Demand Channel

“Doji” candles

*What can increase probability of a bullish reversal is **one or two more doji candles at the same level of support***

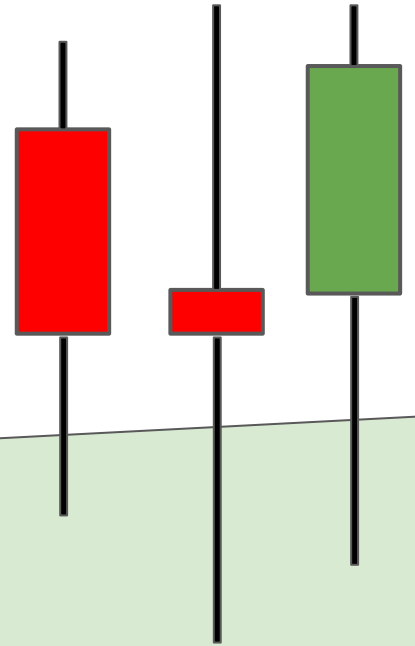


Support of the Green Demand Channel

Morning Star pattern

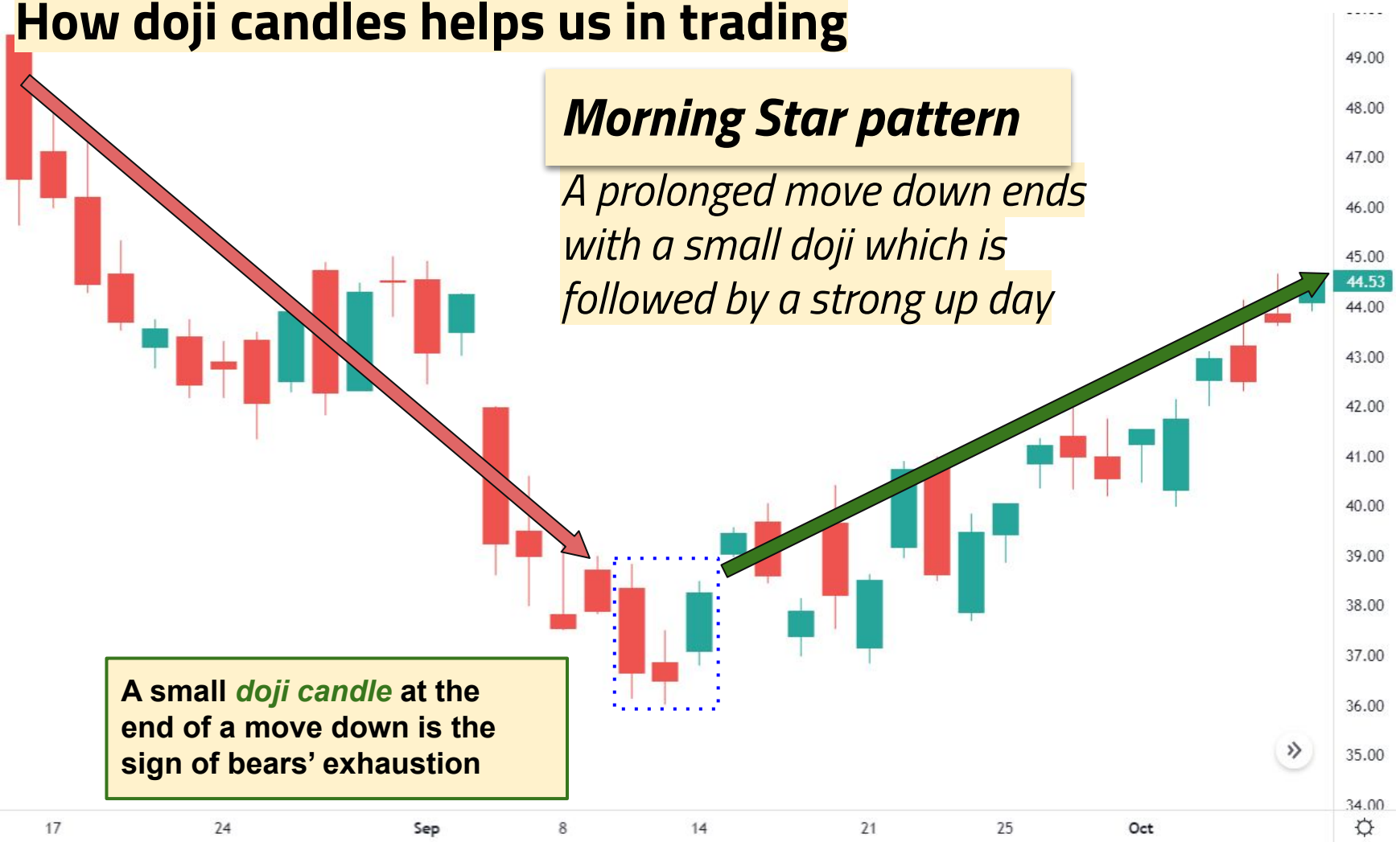
That high probability bullish reversal pattern can be found after an extended move down. The first candle is red, the second candle is doji. That is a sign of indecision. ***But the most important is the third and the final candle of that pattern. The bold green candle closes over the open price of the first red candle or makes a higher high over the high of the first red candle.*** *That is a solid sign that bulls took over control*

“Doji” candles



Support of the Green Demand Channel

How doji candles helps us in trading



Takeaways

A doji, a candle with a small body and long tails on both sides, when located at the end of a prolonged corrective move down becomes an early warning of an upcoming bullish reversal.

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Takeaways

- A doji, a candle with a small body and long tails on both sides, when located at the end of a prolonged corrective move down becomes an early warning of an upcoming bullish reversal.
- Two or three consecutive doji candles at support increase probability of a bullish reversal
- A doji candle at support is only a prerequisite of a long trade. What turns it into a buy signal is a strong uptrend on the following day that makes a higher high in comparison to at least one of two previous trading days. That bullish reversal candlestick pattern is called the *“Morning Star”*